

Pending

AMENDMENT NO. _____

Calendar No. _____

Purpose: To extend and modify the research credit.

IN THE SENATE OF THE UNITED STATES—108th Cong., 2d Sess.

S. 1637

To amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States. to reform and simulated

AMENDMENT No. 2647

By

Hatch-others

To:

Refer

*S. 1637**5*

Page(s)

GPO: 2002 83-247(Mac)

AMENDMENT intended to be proposed by
Mr. Hatch, Mrs. Murray, Mr. Baucus, Ms. Cantwell, Mr. Smith, Mr. Bunning
Mr. Grossley
 Viz:

1 At the end of subtitle A of title III add the following:

2 SEC. ____ EXTENSION AND MODIFICATION OF RESEARCH

3 CREDIT.

4 (a) EXTENSION.—

5 (1) IN GENERAL.—Section 41(h)(1)(B) (relat-
 6 ing to termination) is amended by striking “June
 7 30, 2004” and inserting “December 31, 2005”.

1 (2) CONFORMING AMENDMENT.—Section
2 45C(b)(1)(D) is amended by striking “June 30,
3 2004” and inserting “December 31, 2005”.

4 (b) INCREASE IN RATES OF ALTERNATIVE INCRE-
5 MENTAL CREDIT.—Subparagraph (A) of section 41(c)(4)
6 (relating to election of alternative incremental credit) is
7 amended—

8 (1) by striking “2.65 percent” and inserting “3
9 percent”,

10 (2) by striking “3.2 percent” and inserting “4
11 percent”, and

12 (3) by striking “3.75 percent” and inserting “5
13 percent”.

14 (c) ALTERNATIVE SIMPLIFIED CREDIT FOR QUALI-
15 FIED RESEARCH EXPENSES.—

16 (1) IN GENERAL.—Subsection (c) of section 41
17 (relating to base amount) is amended by redesign-
18 ing paragraphs (5) and (6) as paragraphs (6)
19 and (7), respectively, and by inserting after para-
20 graph (4) the following new paragraph:

21 “(5) ELECTION OF ALTERNATIVE SIMPLIFIED
22 CREDIT.—

23 “(A) IN GENERAL.—At the election of the
24 taxpayer, the credit determined under sub-
25 section (a)(1) shall be equal to 12 percent of so

1 much of the qualified research expenses for the
2 taxable year as exceeds 50 percent of the aver-
3 age qualified research expenses for the 3 tax-
4 able years preceding the taxable year for which
5 the credit is being determined.

6 “(B) SPECIAL RULE IN CASE OF NO
7 QUALIFIED RESEARCH EXPENSES IN ANY OF 3
8 PRECEDING TAXABLE YEARS.—

9 “(i) TAXPAYERS TO WHICH SUBPARA-
10 GRAPH APPLIES.—The credit under this
11 paragraph shall be determined under this
12 subparagraph if the taxpayer has no quali-
13 fied research expenses in any 1 of the 3
14 taxable years preceding the taxable year
15 for which the credit is being determined.

16 “(ii) CREDIT RATE.—The credit de-
17 termined under this subparagraph shall be
18 equal to 6 percent of the qualified research
19 expenses for the taxable year.

20 “(C) ELECTION.—An election under this
21 paragraph shall apply to the taxable year for
22 which made and all succeeding taxable years
23 unless revoked with the consent of the Sec-
24 retary. An election under this paragraph may

1 not be made for any taxable year to which an
2 election under paragraph (4) applies.”

3 (2) COORDINATION WITH ELECTION OF ALTER-
4 NATIVE INCREMENTAL CREDIT.—

5 (A) IN GENERAL.—Section 41(c)(4)(B)
6 (relating to election) is amended by adding at
7 the end the following: “An election under this
8 paragraph may not be made for any taxable
9 year to which an election under paragraph (5)
10 applies.”

11 (B) TRANSITION RULE.—In the case of an
12 election under section 41(c)(4) of the Internal
13 Revenue Code of 1986 which applies to the tax-
14 able year which includes the date of the enact-
15 ment of this Act, such election shall be treated
16 as revoked with the consent of the Secretary of
17 the Treasury if the taxpayer makes an election
18 under section 41(c)(5) of such Code (as added
19 by paragraph (1)) for such year.

20 (f) EFFECTIVE DATES.—

21 (1) SUBSECTION (a).—The amendments made
22 by subsection (a) shall apply to amounts paid or in-
23 curred after the date of the enactment of this Act.

1 (2) SUBSECTIONS (b) AND (c).—The amend-
2 ments made by subsections (b) and (c) shall apply
3 to taxable years beginning after December 31, 2004.